

Information Item

Fiscal Policy and Analysis Committee

Financial Condition of California's Independent Colleges and Universities

Independent colleges and universities are an integral component of the California postsecondary education enterprise. Indeed, the independent colleges and universities in the State have a long history of providing quality educational opportunity to many Californians. The first colleges and universities in California were independent institutions.

Today, California continues to benefit from having a vibrant independent higher education sector. In the first instance, it bears none of the capital costs for a sector that provides substantial components of the educational resources. Independent colleges and universities in California also offer students increased educational options, and, in many instances, a different institutional climate from many public-sector institutions.

In 1974, recognizing the historical educational and economic contributions of independent colleges and universities to California, the legislature and Governor directed the California Postsecondary Education Commission to develop periodic reports “. . . regarding the financial conditions of independent institutions”

This is third in a series of reports on the financial condition of California's independent colleges and universities -- an analysis of the health of different types of institutions within the independent sector and State policies impacting the independent sector -- will be presented to the Commission by representatives of the Association of Independent California Colleges and Universities (AICCU).

Presenter: David E. Leveille.



The Financial Condition of California's Independent Colleges and Universities

Overview Opportunities for postsecondary education in California are provided primarily by two groups of colleges and universities, those financed and governed by the State – collectively known as the State's public colleges and universities – and those privately financed and governed. Within the latter group, the great majority of the independent institutions (as differentiated from the private postsecondary identities), belong to the Association of Independent California Colleges and Universities (AICCU). Some 75 independent colleges and universities in California serving over 214,000 students through 125 majors belong currently to the AICCU. Non-members are primarily special purpose institutions.

Taken together, these 75 independent institutions of higher learning comprise a large, healthy component of the higher educational enterprise in California. Each year, among other achievements, institutions that are members of the AICCU provide for approximately:

- ◆ 23 percent of the baccalaureate degrees,
- ◆ 50 percent of the master's degrees,
- ◆ 46 percent of the doctoral degrees, and
- ◆ 67 percent of the professional degrees.

The Commission has, in its previous reports on the financial condition of independent institutions, expressed the view that the financial health of these institutions is closely related to the economic vitality of the nation and the State. Long considered an important and integral component of California's educational landscape, the independent institutions have a history of providing quality educational opportunity to many Californians. Their very presence brings a unique quality of life to every community in which they are located.

Beyond the impact independent institutions have on the students that they serve, they, along with the public systems of higher education, strongly influence the economic condition of the State, the nation, and the world. Therefore, the economic condition of California's independent colleges and universities is a matter of importance beyond boundaries of these individual campuses.

A legislative mandate

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and Governor directed the California Postsecondary Education Commission to develop periodic reports "... regarding the financial conditions of independent institutions..."

In compliance with the statutory mandate, there have been nine reports to date that have dealt with enrollment and application figures, the number of spaces available, and the respective cost of utilizing those spaces as compared to providing additional public spaces, all intended to provide "...recommendations concerning state policies and programs having a significant impact on independent institutions" [Education Code Section 66903(19)].

During the decade of the 1990's, the Commission turned to the AICCU for assistance in carrying out this mandate. The current collaborative effort between the Commission and the Association on the financial condition of independent institutions has resulted in an introductory overview presentation at the February 1999 Commission meeting, an oral presentation on the capacity of independent institutions to accommodate current and future generations of students. In August 2000, an overview presentation was made to the Commission about the impact of the State's financial aid policy on the independent sector. That series of reports has illuminated not only how integral the independent sector is to California's total educational enterprise but also provided information about that sector's current financial condition.

Current conditions The financial condition of California's independent colleges and universities is of import not only to the institution's themselves and the stewards of their trust, but also to public policy makers. Institutions, as well as people, need some degree of financial security in order to perform effectively and efficiently.

The financial well being of each college and university is the greatest challenge before California independent higher education. The institutions will need support from all sources, and they will need a public policy that recognizes the true cost and benefits, as well as the value added, of higher education in both the public and independent sector. The tremendous financial pressure on independent college administrators forces careful evaluation of all commitments. The positive aspect of this pressure is the demand for very prudent use of funds from students, the public, and donors.

All independent colleges and universities in California receive income from tuition. Therefore, all of the forms of voluntary support are especially important to the independent sector where federal and State direct assistance, if they exist at all, are very small. Of necessity, most California independent institutions have comprehensive fund-raising programs that reach foundations, corporations, alumni, religious organizations, and other partners. Indeed, large portions of the gifts come from California

sources, but considerable support is also made available to independent institutions in California from sources from outside the state.

Grants from out-of-state foundations make possible some of the building projects now under construction. And, with the out-of-state investments in these institutions, the independent institutions of higher education are credited for bringing these financial commitments to the State economy.

**Energy concerns
and costs**

The Commission would be remiss if it did not draw attention to the fact that recent incursions into the financial security brought about by the energy situation in California has had an impact on not only the public institutions but also the independent sector as well.

That impact has been felt in the cost of energy as well as the interruption of the educational processes as seen in increased costs for energy consumption, the cancellation of classes due to electrical outages and the curtailment of building usages, computers and laboratories, libraries, and related actions. It is extremely important that remedy is found in an expeditious way to ensure that the financial well being of each institution is not compromised.

**AICCU
presentation**

To address the question of independent institutional vitality, the Commission has invited the AICCU to provide its perspective on their financial condition of its member institutions. Specifically, Association staff will present a series of financial ratios, findings, and conclusions that will shed light on the fiscal well-being of the independent sector. Through this series of informational reports, the Association of Independent California Colleges and Universities has worked with the Commission in offering insights into various aspects of the institutions and their challenges and contributions to the State. At this meeting, the AICCU will provide additional information and answer issues that may be raised by the Commissioners.
